

# Headquarters U.S. Air Force

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*Integrity - Service - Excellence*

## ***Procurement Transformation ... The Air Force Challenge***

### **2<sup>nd</sup> Joint SPS Users' Regional Conference**



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**23 April 2002**

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# ***Just a Thought ..***

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“...If a policy or procedure, or a particular strategy or practice, is in the best interest of the Government and is not specifically addressed in the FAR, nor prohibited ... the Team should not assume it is prohibited. Rather, absence of direction should be interpreted as permitting the Team to innovate and use sound business judgment that is otherwise consistent with law and within the limits of their authority.” (FAR Part 1.102-4(e))

***We must become a community of innovative,  
even daring risk takers***

***s acquisition leaders, we need to encourage & support  
our folks when they take thoughtful risks***



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# ***“View from near the top” ...***

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- **Today’s environment**
- **Commercial industry transformation**
- **Procurement Transformation defined**
- **Possible view of the future**
- **Challenges on the road**



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# ***Where we have come ...***

## **E-Procurement has been good for industry**

<u><b>Business Metrics</b></u>	<u><b>Early 1990's</b></u>	<u><b>2001</b></u>
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<b>"Escapes"</b> (workarounds; process bypasses)	<b>30%</b>	<b>&lt;0.5%</b>
<b>P.O. Processing Cycle Time</b>	<b>30 Days</b>	<b>1 hour</b>
<b>Typical Contracts</b>		
<b>Cycle Time</b>	<b>6-12 months</b>	<b>30 days</b>
<b>Length</b>	<b>40+ pages</b>	<b>6 pages</b>
<b>Suppliers Connected via Web</b>	<b>0</b>	<b>32,000</b>

***These all relate to SPS !!***

<b>Competitive Advantage</b>	<b><i>The term was undefined</i></b>	<b><i>Sustained</i></b>
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# ***Commercial***

# ***Transformations***

- Procurement organizations focus on supply chain management
- Contributions to bottom line can be enormous
- Key to corporate survival in competitive environment
- Services arena also ripe for improvements
- Universities responding with curriculum on PSM and other purchasing advances



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# ***IBM - Before***

- **\$44.5B Annual Spend**
- **400,000 Employees**
- **160+ countries**
- **20 disparate business units**
- **Hundreds of purchasing groups**
- **Redundant processes and IT systems**
- **PO and contract cycle time was similar to today's AF ... probably all of DoD**
- **Manual processes**

**Air Force -  
\$39.5B Budget  
~ 395,000  
Employees  
75 Countries**



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# ***IBM - After***

- **Centralized procurement authorities & organization**
- **One procurement team; e-procurement; paperless; suppliers enabled and e-linked**
- **Focus on procurement and its contributions to bottom line**
- **Global Supplier Agreements**
- **Commodity Councils — comprehensive strategies and supplier relationships**
  - **Direct materials, marketing, travel, facilities, LCDs, CPUs**
- **Flipped 80/20 time spent on administrative vs contracting functions**
- **Cost avoidances/savings/competitive advantage in the billions**



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# ***PT -- What and Why***

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- **It's all about the customer, the customer, the customer**
- **It's strategic focus on systematic improvement ... in**
  - **the way we *do business***
  - **the way we *relate to functional customers***
  - **the way we *relate to contractors***
- **It's not a technology-focused exercise**
  - **Technology is enabler to help achieve vision**
  - **Integration of AF-wide efforts in Web-based and e-Procurement technologies will improve all aspects of Air Force contracting**





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# Changing Behavior ... Integrated E-Procurement

**Strategic**

*From tactical buying to strategic procurement*

## Transformation of the Contracting Workforce

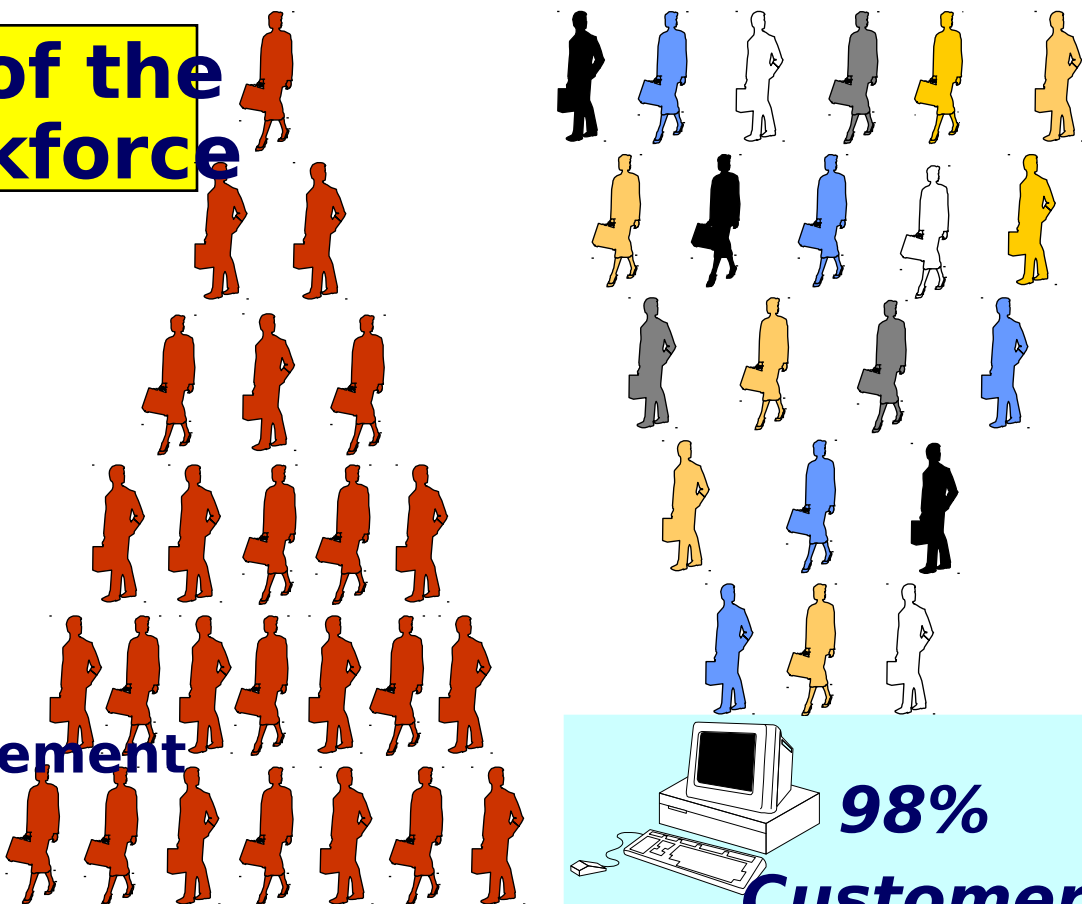
**From:**

researching  
ordering  
purchasing ...

**To:**

strategic sourcing  
supplier base management  
market knowledge ...

**Tactical**



**98%  
Customer  
self-service**

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# Objectives

**An effective acquisition system that is responsive to the warfighter**

**An acquisition environment that is empowered to make healthy business decisions and encourages considered risk-taking**

**An acquisition community that provides innovative strategic business solutions**

**Technology that is responsive in new**

**significant potential applicability to the SPS user community**





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# *Provoking Thought*

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*What Might  
the Future  
Look Like?*



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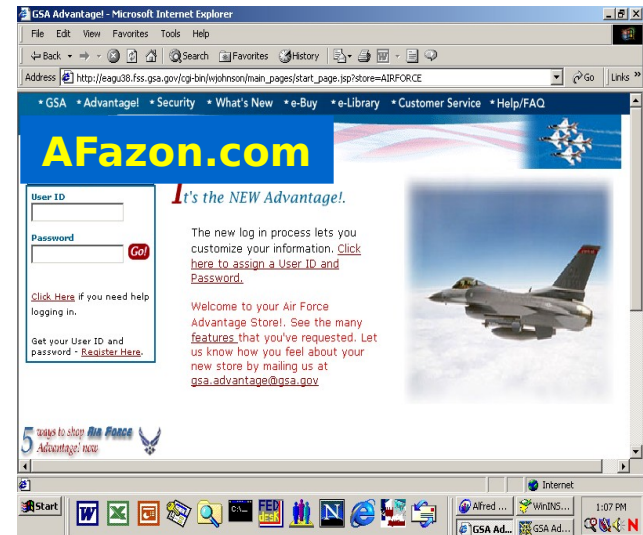
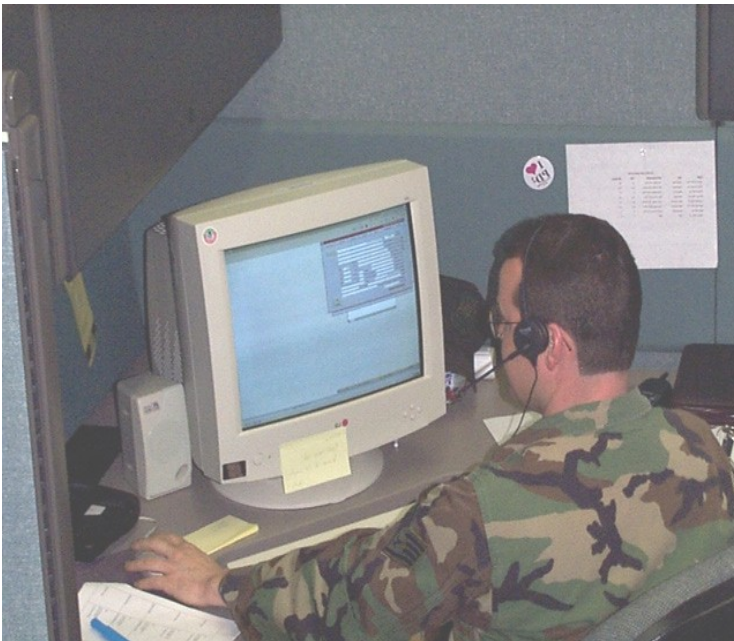
# ***Integrated E-Procurement***

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**Looks like we're gonna need a new LRU. Oh, and see if Joe can order that new tool kit we need.**

## Joe goes to his shop terminal and logs into AFazon.com

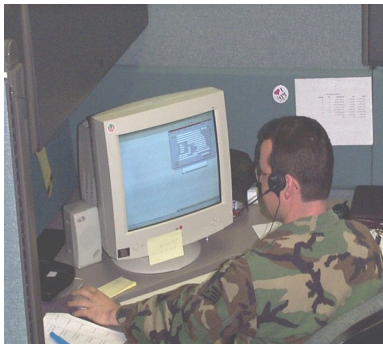


# ***Integrated E-Procurement***

**Joe uses the AFazon.com integrated catalogs and universal shopping cart to order:**

- New LRU**
- Keyboard**
- Office supplies solvents**

- Tool kit**
- Shop rags**
- Cleaning AFazon.com backed up by purchasing vehicles**



NEWAIR Part No.	Product	Pkg	Price	Delivery	Qty
233.08.205.002	Shop Rag	EA	\$9.28	2-7 Days Del (CONUS)	1
233.08.205.003	Shop Rag	EA	\$9.82	2-7 Days Del (CONUS)	1
233.08.205.008	Shop Rag	EA	\$1.88	2-7 Days Del (CONUS)	1
AMV.116	2 QUARTER LOZ (EAF PMS)	EA	\$13.48	30 Days	1
AMV.113	2 QUARTER LOZ (EAF PMS)	EA	\$17.48	30 Days	1

**Grainger**  
**AFWay**  
**GSA Advantage**  
**DoD Email**  
**Office Depot**  
**CONS**  
**etc.**





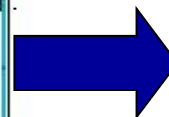
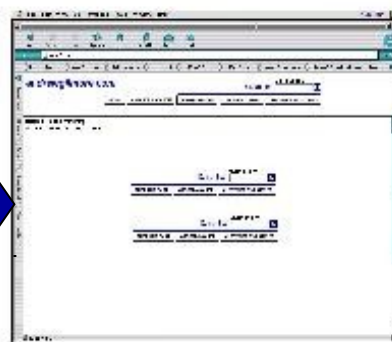
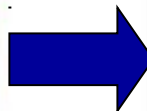
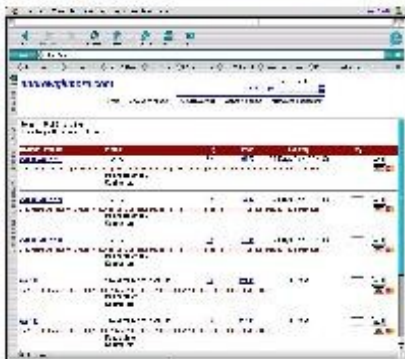
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# Integrated E-Procurement

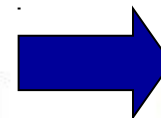
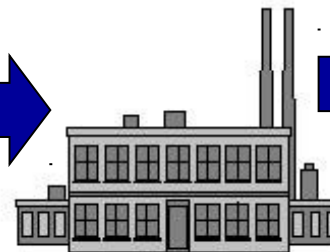
**AFazon.com processes Joe's order ...  
including required approvals for his  
keyboard and solvents ... and notifies him  
when to expect delivery**

Joe in Mx Sq HAZMAT, Pharm, Eq Cust, etc.

Joe in Mx Sq



Supplier



***"It's on the way!"***

***Integrity - Service - Excellence***



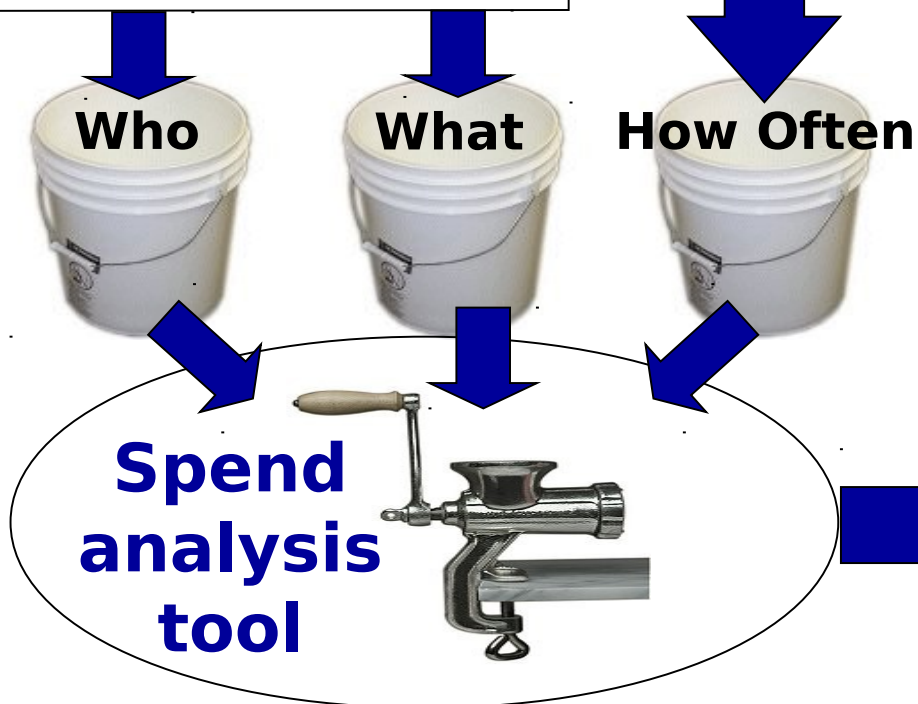
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# Integrated E-Procurement

Grainger  
GSA Advantage  
Office Depot  
etc.

AFWay
DoD Email
CONS

Data from AFazon.com  
purchasing vehicles  
feeds Business  
intelligence database



**Enables Long Term Strategic**

**Agreements**  
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# ***Air Force Procurement in 5 Years***

## ■ **Old Skills**

- **DoD procurement process expertise**

## ■ **New Skills**

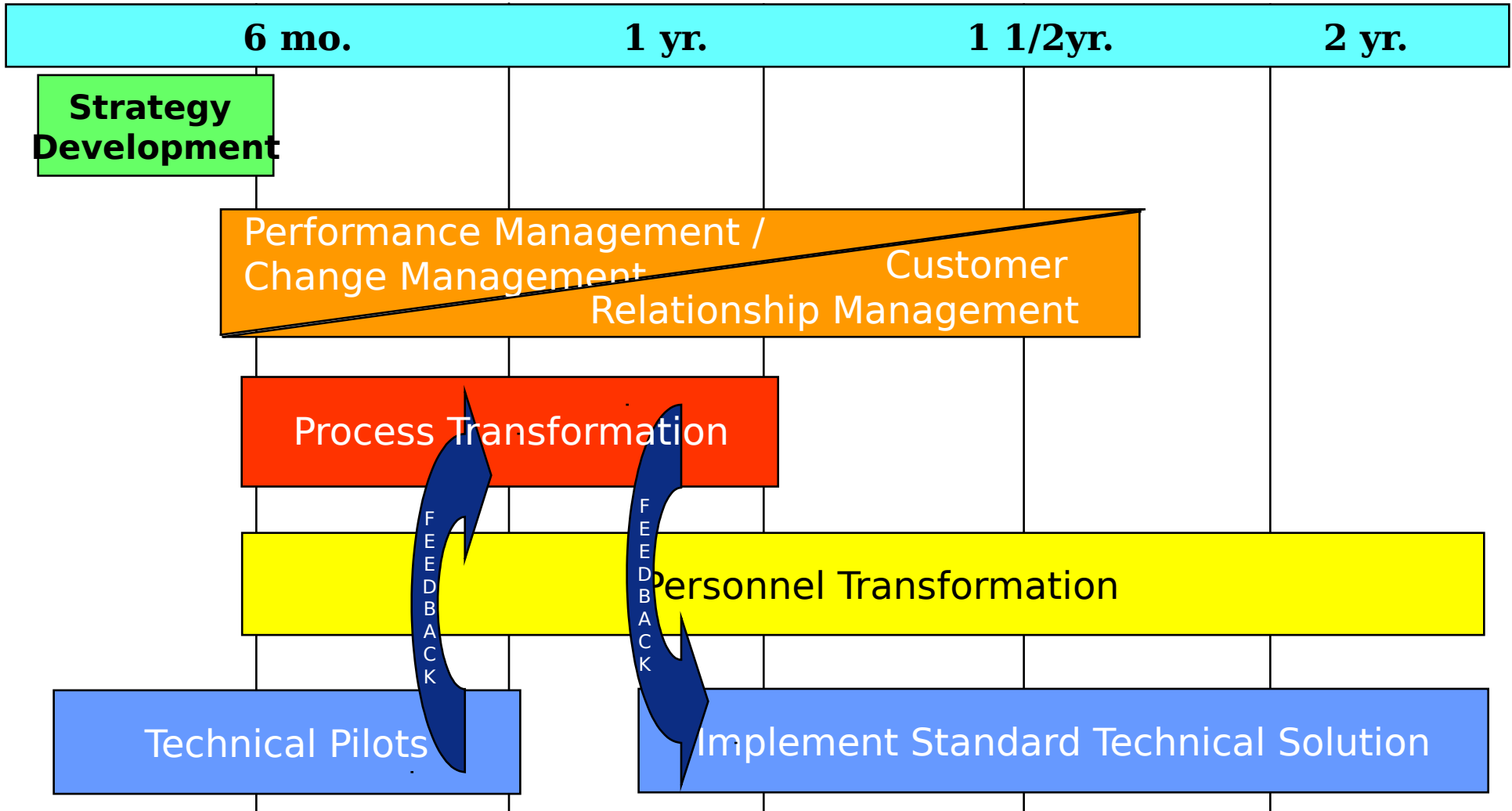
- **Market knowledge**
- **Commodity strategies**
- **Supplier relationship management**
- **e-business savvy**

**Mission-focused multiple-skilled business professionals ...  
... following radically re-engineered processes ...  
... leveraged by technology ...  
... to mirror world-class businesses**



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# How Do We Get There?

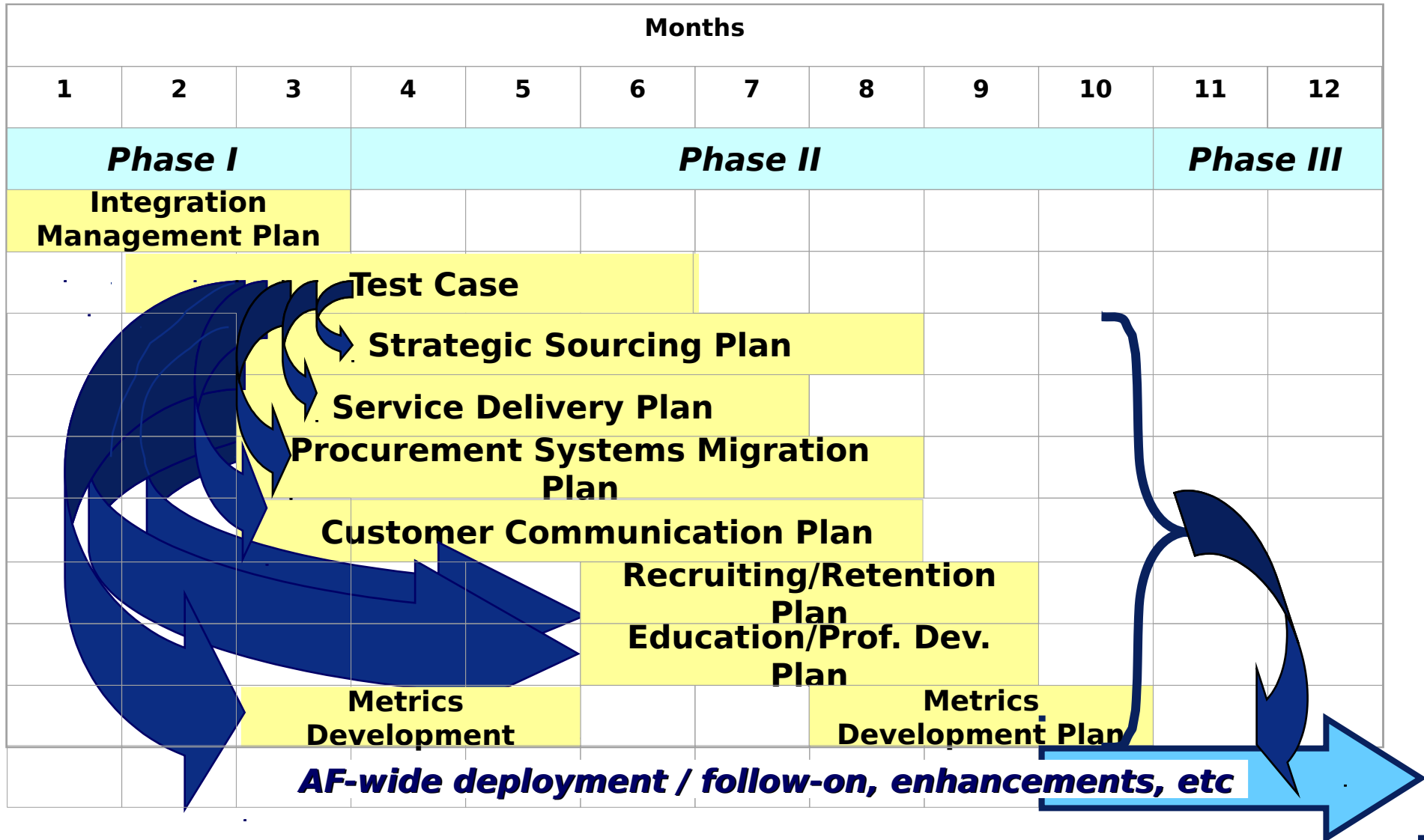


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# How Do We Get There?



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# Contracting - The Challenges and The Future

## ■ Policy

- Implement PT Strategy recommendations
- Resolve issues related to legislative mandates, e.g., competition, performance-based services acquisition, Small Business set-asides

## ■ Processes

- Develop PT action plans
- Implement more effective commercial practices and processes

## ■ People

- Develop/modify/transition personnel programs: accession, training, career paths, etc.

## ■ Technology

- Implement operational architecture supporting the new environment

- Measures of Contracting success hinge on **customer** mission success and satisfaction

- Routine **administrative processes** are automated (or eliminated from contracting process altogether)

- Contracting personnel evolve into true **business advisors**, creating value propositions for customers
- **Commodity-specific** procuring activities develop ... integrated into customers' organizations
- Contracting operations embrace **Activity-Based Costing** as key resource management tool
- **GPC Card use** continues to grow in e-Purchase environment
- **SPS** and successor system(s) provide paperless, integrated business intelligence for **systems, sustainment, and installation-level** contracting



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# ***Sustain & Improve***

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- Objectives:
  - Sustain transformation momentum
  - Realize continuous improvements in policy, processes, people, and technology
- Estimated Duration: Ongoing
- Types of Investments:
  - Technical initiatives in accordance with Technology Migration Plan
  - Process improvement initiatives
  - Continued personnel initiatives